

Office of
the Mayor
Burlington,
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MEMORANDUM

To: NPAs

From: Bob Kiss, Mayor

Date: February 8, 2011

Re: FY12 Budget and Tax Increase

The City's FY 2012 budget for general programs and services shows currently estimated costs exceeding revenues by approximately \$1.4 million. This projected budget gap has nothing to do with Burlington Telecom. The increased costs for FY12 are largely driven by basic personnel costs in the form of higher health care costs and modest cost of living adjustments.

Over the past 5 years, the City has developed sound budgets and implemented significant cost-saving measures which have kept costs in check while maintaining high quality programs and services.

- Workers compensation costs have been reduced from over \$1,100,000 per year to \$700,000 per year today, through aggressive worker health, safety and return to work initiatives.
- Competitive bidding health care coverage, stronger cost controls and new wellness programs have prevented higher health care costs; these budgeted costs have remained level over the last three years, which is unheard of in these days of spiraling health care obligations.
- Between 2004 and the present, the number of general-fund employees has gone down, from 406 to 404.
- During this time the City has continued to provide quality essential services (police, fire, snow plowing and other street maintenance) to meet the needs of residents and businesses.

This is the first time in 7 years – since 2004 – that the City has sought an increase in the tax rate ceiling for general city programs and services. The additional tax of up to .04 will enable Burlington to continue providing good services and programs to keep moving forward.

- Budget cuts will disproportionately affect the police and fire budgets because of their size and high reliance on property tax revenue.

- A 6% across the board cut would be required to meet the projected budget gap. This could result in the loss of 8 positions from the Police Department.
- Cuts to the Fire and Police departments will result in reduced services and increased overtime costs to maintain essential services.
- The tax increase on the ballot will result in an additional \$40 per year for every \$100,000 assessed value or \$100 for a home assessed at \$250,000.

The City has operated with a lean budget over the last 5 years and been able to weather the worst economic downturn since the Great Depression without cutting needed services. That also means that today, since we are operating efficiently, cutting costs will impact essential services. There are also good signals for the City:

- The unemployment rate is 4.5%. This is among the lowest unemployment rates in the country. Moody's Investor's Services has acknowledged that the municipal economy is strong – anchored by higher education and health care.
- There are significant building and expansion efforts by higher education. UVM is building new apartment-style dormitories. Champlain College is also building new dormitories as well as a new administration and emerging technology center building. Burlington College has purchased the Diocese property on North Avenue for their expansion. ICV is building a new commercial office building on Battery Street and there is a potential new hotel on Cherry Street, adjacent to the Marriot.
- Burlington's grand list has grown by about 100,000,000.
- Sales taxes and gross receipts revenues have increased over 10% this past year reflecting a stronger economy.

As we look forward to FY 2012 and FY 2013, we need to keep momentum going as the economy improves. This modest investment in good City services today will pay dividends down the road.